

CITY OF CUDAHY

Cudahy, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2016

CITY OF CUDAHY

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Cudahy
Cudahy, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cudahy, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Cudahy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Cudahy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Cudahy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Mayor and Common Council
City of Cudahy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cudahy, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

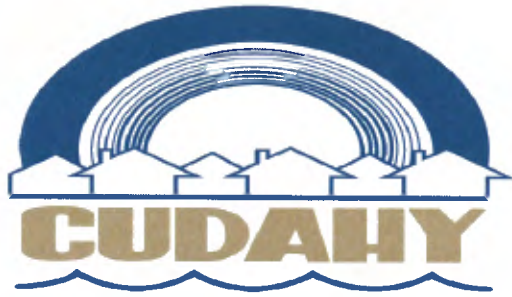
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cudahy's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis (Unaudited)

As management of the City of Cudahy, we offer readers of the City of Cudahy's financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2016. This narrative should be read in conjunction with the City's financial statements.

Financial Highlights

The assets and deferred outflows of resources of the City of Cudahy exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$60.5 million (net position), an increase of \$1.7 million over the prior year net position of \$58.8 million.

Restricted net position principally represent amounts held in the City's tax increment districts for future expenditures and amounts held in reserve funds for debt service.

As of the close of the current fiscal year, the City of Cudahy's governmental funds reported combined ending fund balances of \$19.7 million, a decrease of \$3.4 million in comparison with the prior year. Approximately 13.5 percent of this total amount, \$2.7 million, is available for spending at the government's discretion (unassigned fund balance). At year-end, management had set aside all of the unassigned fund balance for specific purposes.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3.7 million, or 28 percent of total general fund expenditures. In accordance with City of Cudahy policy, management has set aside \$3.2 million of this unassigned fund balance for working capital and future contingencies based on 25 percent of the 2017 general fund budget.

The City of Cudahy's total long-term obligations (governmental & business type) decreased by \$1.1 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cudahy's basic financial statements. The City of Cudahy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cudahy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Cudahy's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cudahy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cudahy that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Cudahy include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library, and conservation and development. The business-type activities of the City of Cudahy include a Water Utility, a Sewer Utility and a Storm Water Utility.

The government-wide financial statements include not only the City of Cudahy itself (known as the *primary government*), but also a legally separate Community Development Authority for which the City of Cudahy is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The Water, Sewer and Storm Water Utilities function for all practical purposes as departments of the City of Cudahy, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cudahy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cudahy can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Cudahy maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the tax increment district #1 tax levy special revenue fund, the debt service fund, the tax increment district #1 capital projects fund, and the capital improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

The City of Cudahy adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement, found on page 73, has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary funds. The City of Cudahy maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Cudahy uses enterprise funds to account for its Water, Sewer and Storm Water Utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Cudahy uses an internal service fund to account for its liability insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Storm Water Utilities, all of which are considered to be major funds of the City of Cudahy. Individual fund data for the internal service fund is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Cudahy's own programs. The only fiduciary fund maintained by the City of Cudahy is the Tax Roll Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Cudahy. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 72 of this report.

Other information. The required supplementary information can be found on pages 73 - 76 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 77 - 80 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cudahy, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60.5 million and \$58.8 million at December 31, 2016 and 2015, respectively, as presented in the following table.

CITY OF CUDAHY'S NET POSITION						
	December 31, (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 42,213	\$ 46,800	\$ 11,276	\$ 11,128	\$ 53,489	\$ 57,928
Capital assets	51,807	51,480	33,436	32,821	85,243	84,301
Total assets	94,020	98,280	44,712	43,949	138,732	142,229
Deferred Outflows of Resources	7,623	2,804	801	210	8,424	3,014
Current and other liabilities	1,337	1,331	1,139	909	2,476	2,240
Long-term liabilities	52,732	55,289	13,682	14,231	66,414	69,520
Total liabilities	54,069	56,620	14,821	15,140	68,890	71,760
Deferred Inflows of Resources	17,569	14,634	214	-	17,783	14,634
Net Position						
Net investment capital assets	33,982	29,804	25,345	24,414	55,782	50,487
Restricted	8,739	13,561	1,385	1,630	10,124	15,191
Unrestricted (Deficit)	(12,716)	(13,535)	3,748	2,975	(5,423)	(6,829)
Total net position	\$ 30,005	\$ 29,830	\$ 30,478	\$ 29,019	\$ 60,483	\$ 58,849

The City of Cudahy's governmental activities investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding is reported at \$33.98 million. The City of Cudahy uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Cudahy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Cudahy's governmental activities net position, \$8.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit \$12.7 million.

The City of Cudahy's net position increased by \$1,634,660 during the current fiscal year. The amount related to the governmental activities was \$175,640, while the business-type activities had an increase in net position of \$1,459,020.

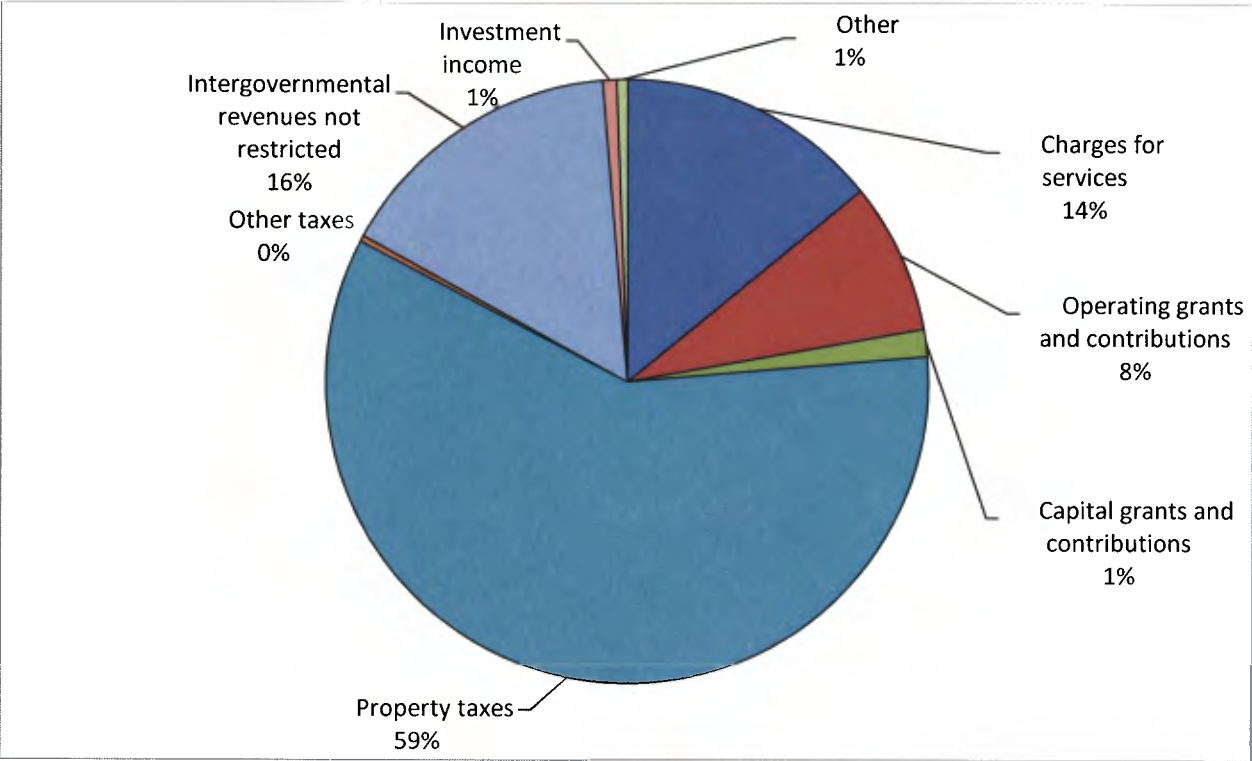
The Governmental Activities deficit of \$12.7 million principally represents utility capital assets contributed by the Governmental Activities (Tax Increment Financing (TIF) Program) to the Business-Type Activities and other noncapital development costs financed with TIF debt.

Statement of activities. The following is a more detailed review of the City's 2016 and 2015 operations.

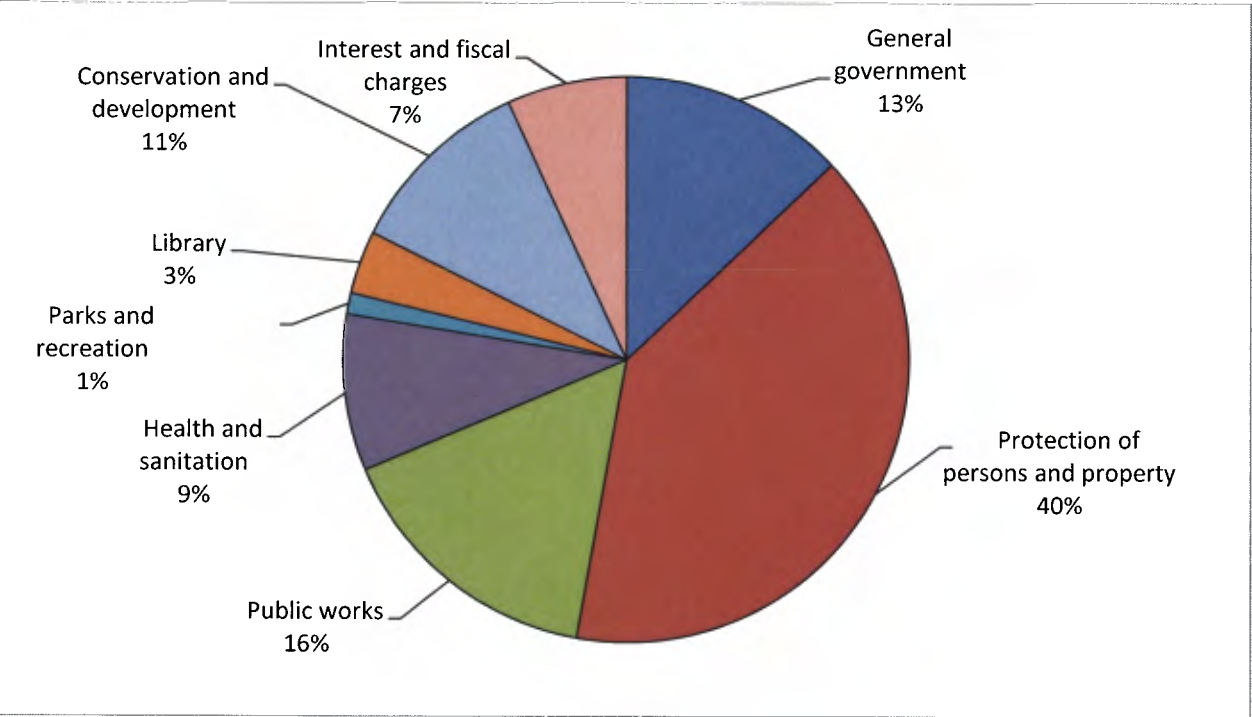
CITY OF CUDAHY'S CHANGES IN NET POSITION						
For the year ending December 31, (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 3,335	\$ 2,845	\$ 7,707	\$ 6,805	\$ 11,042	\$ 9,650
Operating grants and contributions	1,912	1,515	-	-	1,912	1,515
Capital grants and contributions	345	442	-	-	345	442
General revenues						
Property taxes	13,961	13,604	-	-	13,961	13,604
Other taxes	75	47	-	-	75	47
Intergovernmental revenues not restricted	3,709	3,733	-	-	3,709	3,733
Investment income	178	153	25	15	203	168
Other	135	193	47	36	182	229
Total revenues	<u>23,650</u>	<u>22,532</u>	<u>7,779</u>	<u>6,856</u>	<u>31,429</u>	<u>29,388</u>
Expenses						
General government	3,088	3,068	-	-	3,088	3,068
Protection of persons and property	9,548	8,719	-	-	9,548	8,719
Public works	3,777	3,819	-	-	3,777	3,819
Health and sanitation	2,138	1,718	-	-	2,138	1,718
Parks and recreation	291	274	-	-	291	274
Library	862	912	-	-	862	912
Conservation and development	2,580	2,638	-	-	2,580	2,638
Interest and fiscal charges	1,638	1,617	-	-	1,638	1,617
Water	-	-	2,163	2,136	2,163	2,136
Sewer	-	-	2,748	2,542	2,748	2,542
Storm Water	-	-	962	935	962	935
Total expenses	<u>23,922</u>	<u>22,765</u>	<u>5,873</u>	<u>5,613</u>	<u>29,795</u>	<u>28,378</u>
Increase (decrease) in net position before transfers	(272)	(233)	1,906	1,243	1,634	1,010
Transfers	<u>447</u>	<u>448</u>	<u>(447)</u>	<u>(448)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	175	215	1,459	795	1,634	1,010
Net position - January 1	<u>29,830</u>	<u>29,615</u>	<u>29,019</u>	<u>28,224</u>	<u>58,849</u>	<u>57,839</u>
Net position - December 31,	<u>\$ 30,005</u>	<u>\$ 29,830</u>	<u>\$ 30,478</u>	<u>\$ 29,019</u>	<u>\$ 60,483</u>	<u>\$ 58,849</u>

The significant changes between the 2016 governmental activities data compared to the 2015 data include an increase in charges for services of \$490,000, an increase of protection of persons and property expenses of \$829,000, and an increase of health and sanitation expenses of \$420,000

Program and General Revenues by Source – Governmental Activities

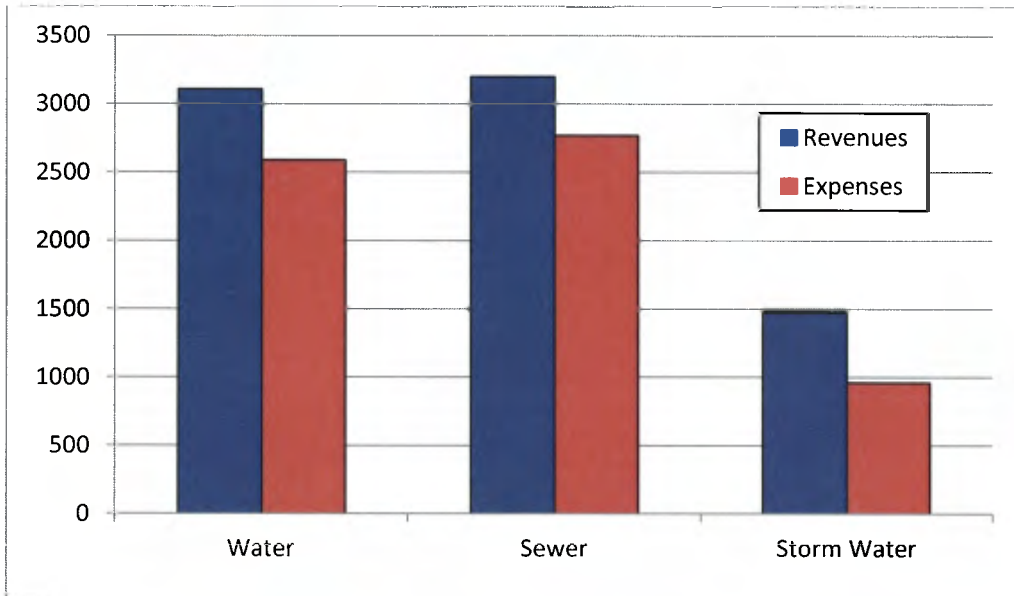


Expenses by Function – Governmental Activities

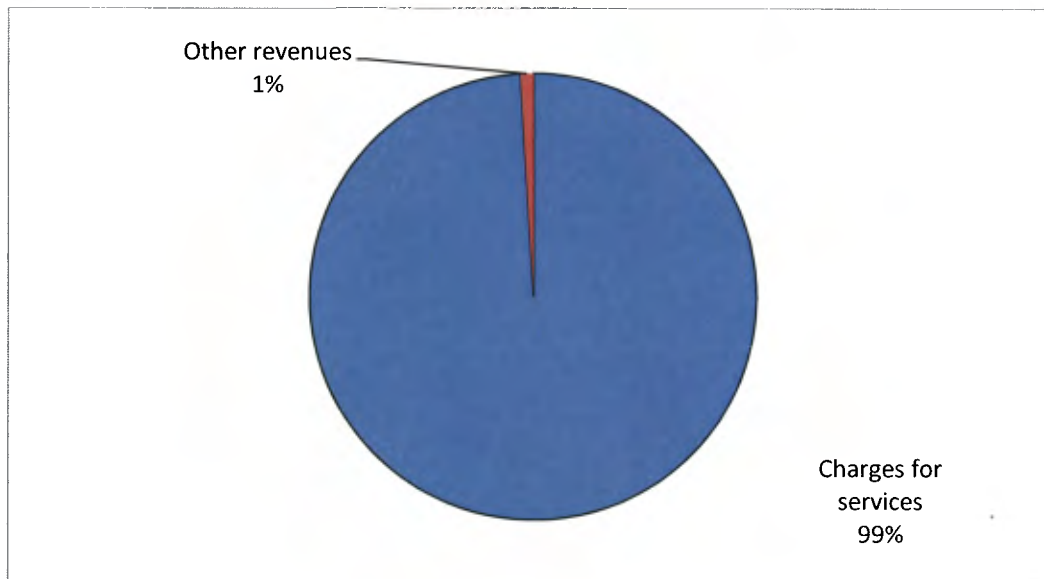


Business-type activities. The significant changes between the 2016 business-type activities compared to the 2015 data include an increase in charges for services of \$902,000 and an increase in expenditures before transfers of \$260,000.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Governmental Funds

As noted earlier, the City of Cudahy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Cudahy's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Cudahy's governmental funds reported combined ending fund balances of \$19.69 million, a decrease of \$3.4 million in comparison with the prior year. Approximately 13.5 percent of this total amount (\$2.7 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Management has set aside \$3.2 million of unassigned fund balance to provide working capital per the City's policy. In addition, the deficit fund balance for the non-major funds (\$245,000) and restricted amounts in excess of available fund balance (\$402,000) reduces the unassigned fund balance amount. The City has nonspendable fund balance (\$1,001,000) for prepaid items (\$283,000), the Cudahy Family Library's children endowment fund (\$100,000), and the advance to other funds (\$618,000). Restricted fund balance (\$9.7 million) includes amounts that will be used to pay tax increment district project costs (\$1.3 million), debt service (\$5.7 million), tax increment district bond funds (\$364,000), noncurrent receivables (\$797,000), the Cudahy Family Library's endowment fund (\$442,000), CDA Project costs of (\$745,000) and other library activities (\$366,000). The City has also committed fund balance (\$1.85 million) for specific purposes. Lastly, the assigned fund balance (\$4.5 million) includes amounts for capital project funding (\$4.2 million) and for a variety of general fund activities (\$314,000).

The general fund is the chief operating fund of the City of Cudahy. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.67 million, while total fund balance amounted to \$4.88 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (\$3.67 million), which includes the fund balance set aside for working capital (\$3.2 million), to total general fund expenditures. Unassigned fund balance represents 28.4 percent of total general fund expenditures, while total fund balance represents 37.8 percent of that same amount.

Proprietary funds. The City of Cudahy's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility at the end of the year amounted to \$339,000, for the Sewer Utility amounted to \$829,000 and for the Storm Water Utility amounted to \$2.6 million. The change in net position for these funds included an increase of \$517,000 in the Water Utility, an increase of \$431,000 in the Sewer Utility and an increase \$511,000 in the Storm Water Utility.

General Fund Budgetary Highlights

Actual revenues and other financing sources were greater than budget by \$290,000. Budgetary expenditures were less than budget by \$87,000 on a total budget of \$13.01 million. In total, the General Fund results were an increase to fund balance of \$458,000. Accordingly, on a budgetary basis the General Fund experienced a total favorable budget variance of \$377,000.

Capital Asset and Debt Administration

Capital assets. The City of Cudahy's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2016 and 2015 amounts to \$85.2 million and \$84.3 million, respectively. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

CITY OF CUDAHY'S CAPITAL ASSETS						
(net of accumulated depreciation)						
December 31,						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land & improvements	\$ 14,892	\$ 14,903	\$ 220	\$ 220	\$ 15,112	\$ 15,123
Construction in progress	232	114	25	28	257	142
Buildings	8,966	9,148	285	322	9,251	9,470
Machinery and equipment	3,310	3,329	1,205	1,331	4,515	4,660
Intangible assets	-	30	-	-	-	30
Infrastructure	23,969	23,501	31,701	30,920	55,670	54,421
Library books	438	455	-	-	438	455
Total	<u>\$ 51,807</u>	<u>\$ 51,480</u>	<u>\$ 33,436</u>	<u>\$ 32,821</u>	<u>\$ 85,243</u>	<u>\$ 84,301</u>

Additional information on the City of Cudahy's capital assets can be found in Note III D. on pages 46 - 48 of this report

Long-term debt. At the end of the current and prior fiscal years, the City of Cudahy had total long-term obligations outstanding of \$66.4 million and \$67.5 million, respectively. Of these amounts, debt backed by the full faith and credit of the government comprised \$34.4 million in 2016 and \$35.4 million in 2015. The remainder of the City of Cudahy's bonds represents debt secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$1.1 million during the current fiscal year.

CITY OF CUDAHY'S OUTSTANDING DEBT						
December 31,						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds and notes	\$ 30,779	\$ 32,333	\$ 3,641	\$ 3,077	\$ 34,420	\$ 35,410
Revenue bonds	13,006	15,839	9,575	10,855	22,581	26,694
Compensated absences	902	881	-	-	902	881
Other post-employment benefits	6,146	5,561	130	124	6,276	5,685
Net pension liability (asset)	1,205	(1,849)	102	(157)	1,307	(2,006)
Other	693	675	235	175	928	850
Total	<u>\$ 52,731</u>	<u>\$ 53,440</u>	<u>\$ 13,683</u>	<u>\$ 14,074</u>	<u>\$ 66,414</u>	<u>\$ 67,514</u>

The City most recent Moody's ratings were: an AA3 bond rating for its general obligation debt and an A1 rating for the Community Development Authority debt, Water and Sewer Utility revenue bonds and Storm Water Utility Revenue Bonds. Standard & Poor's rating of the City's stayed at AA- in 2016.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Cudahy is \$54.47 million which is significantly in excess of the City of Cudahy's outstanding general obligation debt of \$34.4 million.

Additional information on the City of Cudahy's long-term debt can be found in Note III F. on pages 50 - 57 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Cudahy is located in Milwaukee County, WI. The unemployment rate for Milwaukee County at December 31, 2016 was 4.5 percent which was slightly lower than the prior year. The City has a higher percentage of low to moderate income population than Milwaukee County as a whole. However, the number of jobs available in the City of Cudahy has remained very stable the last three years.

The City's population trend has also been very stable the past few years.

As disclosed in Note II D. to the financial statements, legislation exists that limits the City's future tax levies. For taxes levied in 2016 collected in 2017 the limit will be the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

The City's past year's budgets have qualified the City to receive the Expenditure Restraint Shared Revenue (ERP) payment. It is expected that the 2017 budget will also qualify for the ERP payment. The City's past experience demonstrates a continuing reduction in State of Wisconsin aids for shared revenues.

Requests for Information

This financial report is designed to provide a general overview of the City of Cudahy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Comptroller, City of Cudahy, 5050 South Lake Drive, Cudahy, Wisconsin 53110.

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BASIC FINANCIAL STATEMENTS

CITY OF CUDAHY
STATEMENT OF NET POSITION
As of December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 16,474,291	\$ 2,833,157	\$ 19,307,448
Taxes receivable	15,639,318	-	15,639,318
Accounts receivable, net of allowance of \$34,427	145,199	2,248,994	2,394,193
Accrued investment income	39,222	-	39,222
Special assessments receivable	363,704	-	363,704
Loans receivable	797,424	-	797,424
Other receivables	142,299	498	142,797
Internal balances	(275,528)	275,528	-
Prepaid items	283,520	-	283,520
Deposit with Cities and Villages			
Mutual Insurance Company	722,170	-	722,170
Advances	702,653	(702,653)	-
Materials and supply inventory	-	50,426	50,426
Restricted assets			
Cash and investments	2,450,133	6,569,857	9,019,990
Land held for resale	4,728,340	-	4,728,340
Capital assets			
Land	14,599,528	220,342	14,819,870
Other capital assets, net of depreciation	36,974,891	33,191,088	70,165,979
Construction in progress	232,429	24,685	257,114
Total Assets	<u>94,019,593</u>	<u>44,711,922</u>	<u>138,731,515</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	873,240	228,483	1,101,723
Deferred outflows related to pensions	6,750,024	572,109	7,322,133
Total Deferred Outflows of Resources	<u>7,623,264</u>	<u>800,592</u>	<u>8,423,856</u>
LIABILITIES			
Accounts payable and other current liabilities	1,030,846	1,052,538	2,083,384
Accrued interest payable	306,501	86,287	392,788
Noncurrent liabilities			
Net pension liability	1,204,785	101,514	1,306,299
Due within one year	6,751,285	821,575	7,572,860
Due in more than one year	44,775,396	12,758,821	57,534,217
Total Liabilities	<u>54,068,813</u>	<u>14,820,735</u>	<u>68,889,548</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	15,033,291	-	15,033,291
Deferred inflows related to pensions	2,535,451	213,634	2,749,085
Total Deferred Inflows of Resources	<u>17,568,742</u>	<u>213,634</u>	<u>17,782,376</u>
NET POSITION			
Net investment in capital assets	33,982,086	25,345,032	55,782,599
Restricted for			
Debt service	3,842,547	296,862	4,139,409
TID activities	3,989,233	-	3,989,233
Library endowment	100,000	-	100,000
Library capital improvements	441,709	-	441,709
Library operations	365,720	-	365,720
Equipment replacement	-	1,087,888	1,087,888
Unrestricted (Deficit)	<u>(12,715,993)</u>	<u>3,748,363</u>	<u>(5,423,111)</u>
TOTAL NET POSITION	<u>\$ 30,005,302</u>	<u>\$ 30,478,145</u>	<u>\$ 60,483,447</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 3,087,830	\$ 370,868	\$ -	\$ -	\$ (2,716,962)	\$ -	(2,716,962)
Protection of persons and property	9,547,825	1,611,340	263,574	58,901	(7,614,010)	-	(7,614,010)
Public works	3,777,272	541,719	988,275	275,908	(1,971,370)	-	(1,971,370)
Health and sanitation	2,138,219	742,953	144,190	-	(1,251,076)	-	(1,251,076)
Parks and recreation	290,541	510	-	-	(290,031)	-	(290,031)
Library	862,315	67,359	514,270	-	(280,686)	-	(280,686)
Conservation and development	2,579,402	-	1,544	10,377	(2,567,481)	-	(2,567,481)
Interest and fiscal charges	1,638,286	-	-	-	(1,638,286)	-	(1,638,286)
Total Governmental Activities	23,921,690	3,334,749	1,911,853	345,186	(18,329,902)	-	(18,329,902)
Business-type Activities							
Water	2,163,421	3,075,841	-	-	-	912,420	912,420
Sewer	2,748,419	3,180,211	-	-	-	431,792	431,792
Storm Water	961,481	1,451,450	-	-	-	489,969	489,969
Total Business-type Activities	5,873,321	7,707,502	-	-	-	1,834,181	1,834,181
Totals	\$ 29,795,011	\$ 11,042,251	\$ 1,911,853	\$ 345,186	(18,329,902)	1,834,181	(16,495,721)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes							
Property taxes, levied for debt service							
Property taxes, levied for tax increment districts							
Other taxes							
Intergovernmental revenues not restricted to specific programs							
Investment income							
Miscellaneous							
Transfers							
Total General Revenues and Transfers							
Change in Net Position							
NET POSITION - Beginning of Year							
NET POSITION - END OF YEAR							

CITY OF CUDAHY

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 3,463,709	\$ 601,981	\$ 4,149,048	\$ -	\$ 4,064,175	\$ 3,663,049	\$ 15,941,962
Accounts receivable (net of allowance uncollectibles of \$34,427)	-	-	-	-	2,720	123,189	125,909
Taxes receivable	6,592,745	5,280,648	1,526,078	5,174	-	2,234,673	15,639,318
Special assessments receivable	-	-	-	4,549	-	359,155	363,704
Loans receivable	-	-	-	797,424	-	-	797,424
Other receivables	143,161	22,351	-	-	-	-	165,512
Due from other funds	865,766	-	-	-	-	-	865,766
Advance to other funds	702,653	-	-	-	-	100,000	802,653
Restricted cash and investments	-	-	1,544,749	-	-	905,384	2,450,133
Prepaid items	276,560	-	-	-	4,736	2,224	283,520
Total Assets	<u>\$ 12,044,594</u>	<u>\$ 5,904,980</u>	<u>\$ 7,219,875</u>	<u>\$ 807,147</u>	<u>\$ 4,071,631</u>	<u>\$ 7,387,674</u>	<u>\$ 37,435,901</u>

CITY OF CUDAHY

**BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016**

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
LIABILITIES							
Accounts payable	\$ 399,367	\$ -	\$ -	\$ -	\$ 36,799	\$ 134,125	\$ 570,291
Accrued liabilities	282,283	-	-	-	-	28,817	311,100
Due to other funds	275,528	-	-	402,155	-	463,611	1,141,294
Advance from other funds	-	-	-	-	-	100,000	100,000
Total Liabilities	957,178	-	-	402,155	36,799	726,553	2,122,685
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues	6,206,835	5,280,648	1,526,078	-	-	2,019,730	15,033,291
Unavailable revenues	-	-	-	9,715	-	580,101	589,816
Total Deferred Inflows of Resources	6,206,835	5,280,648	1,526,078	9,715	-	2,599,831	15,623,107
FUND BALANCES							
Nonspendable	894,410	-	-	-	4,736	102,224	1,001,370
Restricted	-	624,332	5,693,797	797,424	-	2,586,264	9,701,817
Committed	-	-	-	-	-	1,850,142	1,850,142
Assigned	313,600	-	-	-	4,030,096	131,378	4,475,074
Unassigned (Deficit)	3,672,571	-	-	(402,147)	-	(608,718)	2,661,706
Total Fund Balances	4,880,581	624,332	5,693,797	395,277	4,034,832	4,061,290	19,690,109
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,044,594	\$ 5,904,980	\$ 7,219,875	\$ 807,147	\$ 4,071,631	\$ 7,387,674	\$ 37,435,901

CITY OF CUDAHY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2016

Fund balance - total governmental funds	\$ 19,690,109
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and other assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land held for resale	4,728,340
Land	14,599,528
Construction in progress	232,429
Other capital assets	68,351,946
Less: Accumulated depreciation	(31,377,055)

Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

Special assessments	589,812
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Internal service funds are used by management to charge costs of insurance coverage to individual funds. The assets and liabilities of the internal service fund are included in government activities in the statement of net position.

	1,140,347
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The net pension liability does not relate to current financial resources and is not reported in the governmental funds.

	(1,204,785)
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Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds

	6,750,024
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Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds

	(2,535,451)
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Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, not reported in the funds.

Bonds and notes payable	(43,785,068)
Unamortized loss on refunding	873,240
Unamortized debt premium	(693,497)
Compensated absences	(901,607)
Accrued interest	(306,501)
Unfunded OPEB liability	(6,146,509)

NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u>\$ 30,005,302</u>
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CITY OF CUDAHY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 6,164,001	\$ 5,138,714	\$ 1,380,213	\$ -	\$ -	\$ 1,343,614	\$ 14,026,542
Other taxes	-	-	-	-	-	9,477	9,477
Intergovernmental	4,866,878	23,659	-	-	-	402,470	5,293,007
Licenses and permits	540,756	-	-	-	-	-	540,756
Fines, forfeitures and penalties	958,436	-	-	-	-	27,872	986,308
Public charges for services	149,722	-	-	-	-	1,145,858	1,295,580
Interdepartmental charges for services	33,219	-	-	-	-	-	33,219
Public improvement revenues	-	-	-	4,540	-	515,565	520,105
Investment income	67,556	3,683	9,677	870	11,812	29,931	123,529
Commercial revenues	143,127	-	56	-	-	376,876	520,059
Total Revenues	12,923,695	5,166,056	1,389,946	5,410	11,812	3,851,663	23,348,582
EXPENDITURES							
Current							
General government	2,853,679	-	-	-	-	-	2,853,679
Protection of persons and property	7,383,914	-	-	-	-	459,512	7,843,426
Public works	1,443,742	-	-	319	28,494	39,094	1,511,649
Health and sanitation	937,325	-	-	-	-	1,126,115	2,063,440
Park and recreation	238,415	-	-	-	-	-	238,415
Library	-	-	-	-	-	693,563	693,563
Conservation and development	-	-	-	-	-	293,974	2,568,905
Capital Outlay	56,340	2,184,365	-	90,566	1,484,139	1,662,226	3,416,270
Debt Service	-	26,802	-	186,763	-	-	-
Principal retirement	-	-	11,923,491	-	-	-	11,923,491
Interest and other charges	-	-	1,604,262	-	-	-	1,604,262
Total Expenditures	12,913,415	2,211,167	13,527,753	277,648	1,512,633	4,274,484	34,717,100
Excess (deficiency) of revenues over expenditures	10,280	2,954,889	(12,137,807)	(272,238)	(1,500,821)	(422,821)	(11,368,518)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	8,475,000	-	1,550,000	-	10,025,000
Premium on long term debt issued	-	-	95,394	-	-	-	95,394
Payment to refunding bond escrow agent	-	-	(2,585,824)	-	-	-	(2,585,824)
Transfers in	447,702	-	5,863,847	-	-	139,018	6,450,567
Transfers out	-	(5,626,014)	-	-	-	(376,851)	(6,002,865)
Total Other Financing Sources (Uses)	447,702	(5,626,014)	11,848,417	-	1,550,000	(237,833)	7,982,272
Net change in fund balances	457,982	(2,671,125)	(289,390)	(272,238)	49,179	(660,654)	(3,386,246)
FUND BALANCES - Beginning of Year	4,422,599	3,295,457	5,983,187	667,515	3,985,653	4,721,944	23,076,355
FUND BALANCES - END OF YEAR	\$ 4,880,581	\$ 624,332	\$ 5,693,797	\$ 395,277	\$ 4,034,832	\$ 4,061,290	\$ 19,690,109

CITY OF CUDAHY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ (3,386,246)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is reported in the government-wide financial statements as capital or other assets	3,416,270
Some items reported as capital outlay were not capitalized	(872,143)
Depreciation is reported in the government-wide statements	(2,078,137)
Net book value of assets retired	(139,547)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	227,938
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(10,025,000)
Principal repaid	14,398,490
Payments on tax increment revenue bonds	13,261

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(20,274)
Unfunded OPEB liability	(585,934)
Accrued interest on debt	6,133
Net pension liability	(3,053,599)
Deferred outflows related to pensions	4,826,009
Deferred inflows related to pensions	(2,535,451)

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other additions or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Loss on refunding	127,988
Amortization of loss on refunding	(134,360)
Premium on debt issued	(95,394)
Amortization of debt premium	77,040

Internal service funds are used by management to charge self insurance costs to individual funds.

8,596

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 175,640

CITY OF CUDAHY

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 304,418	\$ 503,013	\$ 2,025,726	\$ 2,833,157	\$ 532,329
Accounts receivable	834,379	929,723	484,892	2,248,994	35,301
Other receivables	-	243	255	498	-
Due from other funds	107,732	109,660	58,136	275,528	-
Materials, supply inventory and prepaid items	50,036	195	195	50,426	-
Restricted assets - cash and investments	103,750	58,736	188,485	350,971	-
Total Current Assets	1,400,315	1,601,570	2,757,689	5,759,574	567,630
Non-Current Assets					
Restricted assets					
Cash and investments	148,946	4,486,806	1,583,134	6,218,886	-
Total Restricted Assets	148,946	4,486,806	1,583,134	6,218,886	-
Capital Assets					
Property and equipment	21,431,128	9,828,429	18,676,251	49,935,808	-
Less: Accumulated depreciation	(11,049,497)	(2,192,665)	(3,282,216)	(16,524,378)	-
Construction in progress	-	21,380	3,305	24,685	-
Total Capital Assets, Net of Depreciation	10,381,631	7,657,144	15,397,340	33,436,115	-
Investment in Cities and Villages Mutual Insurance Company	-	-	-	-	722,170
Total Non-Current Assets	10,530,577	12,143,950	16,980,474	39,655,001	722,170
Total Assets	11,930,892	13,745,520	19,738,163	45,414,575	1,289,800
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	30,522	8,198	189,763	228,483	-
Deferred outflows related to pensions	351,697	95,695	124,717	572,109	-
Total Deferred Outflows of Resources	382,219	103,893	314,480	800,592	-

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 145,472	\$ 744,212	\$ 24,792	\$ 914,476	\$ 149,453
Accrued payroll	23,320	3,611	2,753	29,684	-
Accrued compensated absences	108,378	-	-	108,378	-
Accrued interest on general obligation debt	6,609	9,365	14,388	30,362	-
Current portion of advance from municipality	84,803	-	-	84,803	-
Current portion of general obligation debt	126,313	126,212	134,050	386,575	-
Current Liabilities Payable from Restricted Assets					
Accrued interest on revenue bonds	4,666	20,816	30,443	55,925	-
Current portion of revenue bonds	155,000	20,000	260,000	435,000	-
Total Current Liabilities	654,561	924,216	466,426	2,045,203	149,453
Noncurrent Liabilities					
Net OPEB obligation	129,834	-	-	129,834	-
Net pension liability	61,625	16,816	23,073	101,514	-
Advance from municipality	617,850	-	-	617,850	-
Long-term debt, net of current maturities					
General obligation debt	596,134	1,261,760	1,627,031	3,484,925	-
Revenue bonds payable	334,062	4,145,000	4,665,000	9,144,062	-
Total Noncurrent Liabilities	1,739,505	5,423,576	6,315,104	13,478,185	-
Total Liabilities	2,394,066	6,347,792	6,781,530	15,523,388	149,453
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	129,689	35,388	48,557	213,634	-
Total Deferred Inflows of Resources	129,689	35,388	48,557	213,634	-
NET POSITION					
Net investment in capital assets	9,349,590	6,007,260	9,988,182	25,345,032	-
Restricted for debt service	100,900	37,920	158,042	296,862	-
Restricted for equipment replacement	-	591,915	495,973	1,087,888	-
Unrestricted	338,866	829,138	2,580,359	3,748,363	1,140,347
TOTAL NET POSITION	<u>\$ 9,789,356</u>	<u>\$ 7,466,233</u>	<u>\$ 13,222,556</u>	<u>\$ 30,478,145</u>	<u>\$ 1,140,347</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities -	
	Water Utility	Sewer Utility	Storm Water Utility	Totals	Internal Service Fund
OPERATING REVENUES					
Charges for services and sales	\$ 2,927,965	\$ 3,180,211	\$ 1,451,450	\$ 7,559,626	\$ -
Other operating revenues	147,876	-	-	147,876	38,000
Total Operating Revenues	3,075,841	3,180,211	1,451,450	7,707,502	38,000
OPERATING EXPENSES					
Operation and maintenance	1,594,845	2,452,871	446,001	4,493,717	64,511
Depreciation	516,971	117,815	224,896	859,682	-
Total Operating Expenses	2,111,816	2,570,686	670,897	5,353,399	64,511
Operating Income (Loss)	964,025	609,525	780,553	2,354,103	(26,511)
NONOPERATING REVENUES (EXPENSES)					
Investment income	2,426	12,429	10,455	25,310	35,107
Miscellaneous revenue	30,000	-	-	30,000	-
Amortization of debt premium	442	6,400	10,389	17,231	-
Interest expense	(44,562)	(175,842)	(285,003)	(505,407)	-
Amortization of loss on refunding	(7,043)	(1,891)	(5,581)	(14,515)	-
Total Nonoperating Revenues (Expenses)	(18,737)	(158,904)	(269,740)	(447,381)	35,107
Income (Loss) Before Transfers	945,288	450,621	510,813	1,906,722	8,596
TRANSFERS					
Transfers out	(427,892)	(19,810)	-	(447,702)	-
Total Transfers	(427,892)	(19,810)	-	(447,702)	-
Change in Net Position	517,396	430,811	510,813	1,459,020	8,596
NET POSITION – Beginning of Year	9,271,960	7,035,422	12,711,743	29,019,125	1,131,751
NET POSITION – END OF YEAR	\$ 9,789,356	\$ 7,466,233	\$ 13,222,556	\$ 30,478,145	\$ 1,140,347

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities -	
	Water Utility	Sewer Utility	Storm Water Utility	Total	Internal Service Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 2,972,116	\$ 3,136,511	\$ 1,424,186	\$ 7,532,813	\$ -	-
Cash received from (paid to) city	51,279	(51,279)	-	-	37,673	37,673
Cash paid to suppliers for goods and services	(881,540)	(2,099,664)	(244,955)	(3,226,159)	(64,512)	(64,512)
Cash payments to employees for services	(542,424)	(158,600)	(194,908)	(895,932)	-	-
Net Cash Flows From Operating Activities	1,599,431	826,968	984,323	3,410,722	(26,839)	(26,839)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash payments from (to) city	(427,892)	(19,810)	-	(447,702)	-	-
Advances (to) from other funds	(83,964)	-	-	(83,964)	-	-
Net Cash Flows From Non-capital Financing Activities	(511,856)	(19,810)	-	(531,666)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(735,596)	(443,020)	(347,587)	(1,526,203)	-	-
Long-term debt issued	560,000	230,000	2,790,000	3,580,000	-	-
Payments to escrow during refunding	-	-	(2,840,344)	(2,840,344)	-	-
Principal paid on debt	(896,933)	(388,821)	(365,756)	(1,651,510)	-	-
Debt issuance costs	-	(3,435)	(103,345)	(106,780)	-	-
Premium on debt issued	1,698	701	74,948	77,347	-	-
Interest paid on debt	(48,488)	(172,407)	(186,301)	(407,196)	-	-
Net Cash Flows From Capital and Related Financing Activities	(1,119,319)	(776,982)	(978,385)	(2,874,686)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	2,426	12,284	10,484	25,194	35,107	35,107
Net Cash Flows From Investing Activities	2,426	12,284	10,484	25,194	35,107	35,107
Net Change in Cash and Cash Equivalents	(29,318)	42,460	16,422	29,564	8,268	8,268
CASH AND CASH EQUIVALENTS -						
Beginning of Year	586,432	5,006,095	3,780,923	9,373,450	524,061	524,061
CASH AND CASH EQUIVALENTS -						
END OF YEAR	\$ 557,114	\$ 5,048,555	\$ 3,797,345	\$ 9,403,014	\$ 532,329	\$ 532,329

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund	
	Water Utility	Sewer Utility	Storm Water Utility	Total		
CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION						
Unrestricted	\$ 304,418	\$ 503,013	\$ 2,025,726	\$ 2,833,157	\$	532,329
Restricted - current	103,750	58,736	188,485	350,971		-
Restricted - non-current	148,946	4,486,806	1,583,134	6,218,886		-
	<u>\$ 557,114</u>	<u>\$ 5,048,555</u>	<u>\$ 3,797,345</u>	<u>\$ 9,403,014</u>	<u>\$</u>	<u>532,329</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 964,025	\$ 609,525	\$ 780,553	\$ 2,354,103	\$	(26,511)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities						
Depreciation	516,971	117,815	224,896	859,682		-
Depreciation charged to other accounts	51,279	-	-	51,279		-
Non-operating income	30,000	-	-	30,000		-
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows						
Accounts receivable	(133,725)	(43,700)	(27,264)	(204,689)		(327)
Materials, supplies inventory and prepaid items	11,472	(195)	2,205	13,482		-
Accounts payable	112,943	135,286	705	248,934		(1)
Accrued expenses	(6,534)	17	(3,807)	(10,324)		-
Net OPEB obligation	5,755	-	-	5,755		-
Pension related deferrals and liabilities	47,245	8,220	7,035	62,500		-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,599,431</u>	<u>\$ 826,968</u>	<u>\$ 984,323</u>	<u>\$ 3,410,722</u>	<u>\$</u>	<u>(26,839)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Bond proceeds used in refunding of debt	\$ -	\$ -	\$ 2,645,000	\$ 2,645,000	\$	-
Loss on refunding	\$ -	\$ -	\$ 195,344	\$ 195,344	\$	-
Amortization of premium	\$ 422	\$ 6,400	\$ 10,389	\$ 17,211	\$	-
Amortization of loss on advance refunding	<u>\$ (7,043)</u>	<u>\$ (1,891)</u>	<u>\$ (5,581)</u>	<u>\$ (14,515)</u>	<u>\$</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND

As of December 31, 2016

	<u>Tax Roll Agency Fund</u>
ASSETS	
Cash and investments	\$ 17,729,061
Taxes receivable	<u>649,236</u>
 Total Assets	 <u>\$ 18,378,297</u>
LIABILITIES	
Due to other taxing units	<u>\$ 18,378,297</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Cudahy, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City of Cudahy. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financial accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Blended Component Units

The Community Development Authority of the City of Cudahy (Authority) is governed by a seven member board appointed by the Mayor and confirmed by the City Common Council. Although it is legally separate from the City, the Authority is reported as a blended component unit, as if it were part of the primary government, because its sole purpose is to finance and construct the City's projects located within the City of Cudahy Tax Incremental Financing Districts. The Authority does not issue separate financial statements.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *REPORTING ENTITY* (continued)

Blended Component Units (continued)

The Cudahy Family Library Endowment Fund Inc., a nonprofit corporation, is considered a component unit of the Cudahy Family Library because of its financial relationship with the Library. The financial transactions of the Cudahy Family Library Endowment Fund Inc. are accounted for in the Library Fund. Separate statements were not issued for the Cudahy Family Library Endowment Fund Inc.

B. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

In February 2015, the GASB issued statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the City are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Tax Increment District (TID) #1 Tax Levy Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the TID #1 program.

Debt Service Fund – used to account for and report financial resources for that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

Tax Increment District (TID) #1 Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in Tax Increment District #1 project plan.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Capital Improvements Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the capital improvement program.

The City reports the following major enterprise funds:

Water Utility – accounts for operations of the water system.
Sewer Utility – accounts for operations of the sanitary sewer system.
Storm Water Utility – accounts for operations of the storm water system.

The City reports the following non-major governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Library Fund
Ambulance Fund
Grant Fund
Health Grant Fund
Recycling Fund
Special Collections Fund
Special Assessment Fund
Environmental Tax Increment District Fund #1
Environmental Tax Increment District Fund #2
K-9 Fund
Hotel & Motel Tax Fund
Rental Property Inspection Fund

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Community Development Authority Fund
Road and Equipment Improvements Fund

In addition, the City reports the following fund types:

Internal service funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City accounts for its self-insured activities in the Internal Service Fund.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Agency funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City accounts for its tax collections in the Agency Fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer, and storm water utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, certain public charges for services, and interest. Other general revenues such as special assessments, fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III.A. for further information.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of assets and liabilities.

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Personal property taxes in full	January 31, 2017
Final settlement with County	On or before August 15, 2017
Tax deed by county – 2016 delinquent real estate taxes	October 2019

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water, sewer and storm water utilities because they have the right by law to place delinquent bills on the tax roll, and other delinquent bills are generally not significant.

The City provides water, sewer, and storm water service to customers primarily within its municipal boundaries. Sales to the two largest customers are billed monthly, all other customers are billed on a tri-annual cycle basis, payable in 20 days, for all classes of customers for service rendered during the previous tri-annual period. Water rates are approved by the Public Service Commission. Sewer service charges to consumers are computed at rates established by the City's Common Council. Certified commercial and industrial customers are billed for sewer service charges at amounts determined by the Milwaukee Metropolitan Sewerage District plus local maintenance and equipment replacement charges. Storm water rates are established by the City's Common Council. Unbilled revenues from the last billing to the end of the year are estimated and recorded as accrued utility revenues. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables (continued)

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at lower of cost or market on a first in, first out basis, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of one year. The Water Utility defines a capital asset as an asset with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

5. Capital Assets (continued)

Government-Wide Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40	Years
Land improvements	20-30	Years
Machinery and equipment	2-25	Years
Library books	10	Years
Utility system	18-100	Years
Infrastructure	15-40	Years
Intangible assets	3-5	Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Land Held for Resale

In 2008 and 2009 the City purchased certain parcels of land for costs of \$1,204,683 and \$2,062,251, respectfully. The City purchased additional land in 2013, 2014 and 2015 for \$520,380, \$2,303,477 and \$360,030 respectively. In addition, the City sold land valued at \$1,722,481 in 2013. These properties are included in the City's Tax Increment District No. 1 and are part of the City's redevelopment plan. It is the intent of management to sell these properties at market value. The carrying value of the land held for resale is at the lower of cost or market.

7. Other Assets

The City's investment in the Cities and Villages Mutual Insurance Company is recorded at cost.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements. Amortization for 2016 was \$134,360 and \$14,516 for the governmental activities and business-type activities respectively.

9. Compensated Absences

Employees earn varying amounts of vacation based on length of service. Vacation is not cumulative. Sick pay benefits may be accumulated by employees in accordance with the provisions of union contracts and administrative policies to specified maximums. Accumulated sick leave benefits are payable in cash in accordance with the terms of the applicable contract or policies upon an employee's retirement or death. Included in the government-wide statements is \$301,686 of vacation earned but not paid and estimated future accumulated sick pay benefits of \$599,921 at December 31, 2016 for all employees.

10. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, other postemployment benefit liability and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method or effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$4,600,000 made up of one issue.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

11. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

12. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

The net position section includes an adjustment for capital assets owned by the business-type activities column but financed by debt of the governmental activities column. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net Investment in capital assets	\$ 33,982,086	\$ 25,345,032	\$ (3,544,519)	\$ 55,782,599
Unrestricted (deficit)	(12,715,993)	3,748,363	3,544,519	(5,423,111)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

12. Equity Classifications (continued)

Fund Financial Statements (continued)

- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the City Mayor and Finance Director to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed or assigned for those purposes.

Propriety fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 25% of subsequent years general fund revenues. The balance at year end was \$3,226,197 and is included in the general fund fund balance.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Basis for Existing Rates

Current water rates were approved by the Public Service Commission of Wisconsin on December 21, 2015, effective January 1, 2016.

Current sewer rates and storm water rates were approved by the Common Council on December 15, 2015, effective January 1, 2016.

14. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the following funds in accordance with Wisconsin Statute 65.90.

- General Fund
- Special Revenue Funds
 - Library Operating Fund
 - Ambulance Fund
 - Health Grant Fund
 - Recycling Fund
 - Special Collections Fund
 - Rental Property Inspection Fund
- Debt Service Fund
- Capital Projects Fund
 - Tax Increment District #1 Capital Projects, (for administration expenditures only)
 - Road and Equipment Improvements Fund
- Enterprise Funds
 - Water Utility
 - Sewer Utility
 - Storm Water Utility

Budgets have not been formally adopted for remaining City funds.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded budgeted appropriations in the following governmental and proprietary funds:

<u>Fund</u>	<u>Amount</u>
Debt Service	\$ 6,283,694
Special Collections	91,372
Rental Property Inspection Fund	30,232
Library	13,071
Recycling	109,204
Road and Equipment Improvements Fund	207,979
Sewer Utility	126,554

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2016, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>
Grant Fund	\$ 12,236
Environmental TIF #2 Fund	232,807

D. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2016 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	\$ 38,057,967	\$ 33,699,658	Custodial credit
Mutual funds	1,908,425	1,908,425	Credit, interest rate
LGIP	6,086,527	6,086,527	Credit
Petty cash	3,580	n/a	
Total Cash and Investments	<u>\$ 46,056,499</u>	<u>\$ 41,694,610</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 19,307,448		
Restricted cash and investments	9,019,990		
Per statement of net position - fiduciary funds	17,729,061		
Total Cash and Investments	<u>\$ 46,056,499</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposits (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The City maintains a collateral agreement with one of its banks. At December 31, 2016, the bank had pledged various government securities in the amount of \$30.4 million to secure the City's deposits.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The valuation method for recurring fair value measurements is as follows:

> Market Value

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,908,425	\$ -	\$ -	\$ 1,908,425

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2016, none of the City's total bank balances of \$33.7 million was exposed to custodial credit risk by being uninsured and uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City does not have an investment policy pertaining to custodial credit risk.

As of December 31, 2016 the City does not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As of December 31, 2016 the City's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's	Bank Balance
Mutual funds	AAAm	Aaa-mf	\$ 1,908,425
LGIP	Not Rated	Not Rated	6,086,527

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

As of December 31, 2016 the City's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Mutual funds	\$ 1,908,425	50

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Special assessments of \$363,704 and Tax Increment District No.1 receivables of \$797,424 are not expected to be collected within one year. All other receivables are expected to be collected within one year.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue and unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 15,027,287	\$ -
Special assessments receivable	-	589,816
Subsequent period prepayments	<u>6,004</u>	<u>-</u>
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 15,033,291</u>	<u>\$ 589,816</u>

C. RESTRICTED ASSETS

Long Term Debt Accounts

The City's Water, Sewer and Storm Water Utility created Special Redemption Funds to additionally secure the payment of principal and interest on revenue bonds. The City ordinances which required the creation of Special Redemption Funds also required the establishment of a separate "Reserve Fund" within the Special Redemption Fund. The Construction Fund consists of unspent bond proceeds required to be used for future water, sewer and storm water improvements. Restricted assets consist of the following:

	Water Utility	Sewer Utility	Storm Water Utility	Total
Revenue Bond Funds				
Reserve Fund	\$ 126,649	\$ 213,297	\$ 455,374	\$ 795,320
Construction Fund	-	3,681,593	631,787	4,313,380
Special Redemption Fund	<u>103,750</u>	<u>58,736</u>	<u>188,485</u>	<u>350,971</u>
BALANCES - December 31, 2016	<u>\$ 230,399</u>	<u>\$ 3,953,626</u>	<u>\$ 1,275,646</u>	<u>\$ 5,459,671</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS (continued)

The City of Cudahy Community Development Authority has issued Redevelopment Lease Revenue bonds to finance certain expenditures within the City of Cudahy Tax Increment Districts. In connection therewith, certain debt service reserve and redemption accounts have been placed with an escrow agent. These deposits amount to \$1,908,424 at December 31, 2016.

Library Accounts

The City of Cudahy Library Fund has certain amounts that are restricted for purposes of supporting activities, programs and capital improvements at the Library. These deposits amount to \$541,709 at December 31, 2016.

Equipment Replacement Account

In accordance with the City's ordinance enacting a sewer user charge system and Department of Natural Resources' regulations, the Sewer Utility has, as part of the rate structure, incorporated an equipment replacement charge. Revenues generated from this charge are to be accumulated and used for the replacement of mechanical equipment. The balance in this reserve as of December 31, 2016 is \$591,916. In addition, the City set aside funds in the Storm Water Utility for equipment replacement funds. The balance in this reserve as of December 31, 2016 is \$495,973.

Depreciation Account

The City's Water Utility created a depreciation account to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account. The balance in this reserve as of December 31, 2016 is \$22,297.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 14,599,528	\$ -	\$ -	\$ 14,599,528
Construction in progress	114,473	195,430	77,474	232,429
Total Capital Assets				
Not Being Depreciated	14,714,001	195,430	77,474	14,831,957
Capital assets being depreciated				
Land improvements	385,764	-	-	385,764
Buildings	13,216,011	-	-	13,216,011
Machinery and equipment	8,477,405	567,053	216,961	8,827,497
Intangible assets	89,665	-	-	89,665
Library books	1,033,982	87,373	141,344	980,011
Infrastructure	43,206,700	1,771,744	125,446	44,852,998
Total Capital Assets				
Being Depreciated	66,409,527	2,426,170	483,751	68,351,946
Less: Accumulated depreciation for				
Land improvements	(82,664)	(11,022)	-	(93,686)
Buildings	(4,068,167)	(181,698)	-	(4,249,865)
Machinery and equipment	(5,148,164)	(550,053)	180,427	(5,517,790)
Intangible assets	(59,776)	(29,889)	-	(89,665)
Library books	(578,699)	(105,072)	141,344	(542,427)
Infrastructure	(19,705,652)	(1,200,403)	22,433	(20,883,622)
Total Accumulated Depreciation	(29,643,122)	(2,078,137)	344,204	(31,377,055)
Net Capital Assets Being Depreciated	36,766,405	348,033	139,547	36,974,891
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 51,480,406	\$ 543,463	\$ 217,021	\$ 51,806,848

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 73,714
Protection of persons and property	289,459
Public works, which includes the depreciation of infrastructure	1,523,676
Health and sanitation	6,926
Library	172,727
Park and recreation	11,635
	<u>11,635</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,078,137</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 220,342	\$ -	\$ -	\$ 220,342
Construction in progress	27,873	7,577	10,765	24,685
Total Capital Assets Not Being Depreciated	<u>248,215</u>	<u>7,577</u>	<u>10,765</u>	<u>245,027</u>
Capital assets being depreciated				
Water Utility buildings and structures	2,654,078	48,756	13,200	2,689,634
Water Utility machinery and equipment	5,545,260	148,946	80,817	5,613,389
Water Utility infrastructure	12,431,845	537,893	9,950	12,959,788
Storm Water Utility infrastructure	18,276,361	355,047	7,182	18,624,226
Sewer Utility infrastructure	9,390,167	438,749	487	9,828,429
Total Capital Assets Being Depreciated	<u>48,297,711</u>	<u>1,529,391</u>	<u>111,636</u>	<u>49,715,466</u>
Less: Accumulated depreciation for				
Water Utility buildings and structures	(2,332,210)	(85,499)	13,200	(2,404,509)
Water Utility machinery and equipment	(4,214,317)	(274,567)	80,817	(4,408,067)
Water Utility infrastructure	(4,038,688)	(208,183)	9,950	(4,236,921)
Storm Water Utility infrastructure	(3,064,503)	(224,895)	7,182	(3,282,216)
Sewer Utility infrastructure	(2,075,337)	(117,815)	487	(2,192,665)
Total Accumulated Depreciation	<u>(15,725,055)</u>	<u>(910,959)</u>	<u>111,636</u>	<u>(16,524,378)</u>
Net Capital Assets Being Depreciated	<u>32,572,656</u>	<u>618,432</u>	<u>-</u>	<u>33,191,088</u>
Total Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 32,820,871</u>	<u>\$ 626,009</u>	<u>\$ 10,765</u>	<u>\$ 33,436,115</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 568,248
Sewer	117,815
Storm Water	<u>224,896</u>

Total Business-type Activities Depreciation Expense	<u>\$ 910,959</u>
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E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility	General	\$ 107,732
Sewer Utility	General	109,660
Storm Water Utility	General	58,136
General	Grant	22,613
General	Tax Incremental District #1 Capital Projects	402,155
General	Environmental TIF #2	<u>440,998</u>
Sub-total		1,141,294
Eliminations		<u>(865,766)</u>
Total Internal Balances - Government-Wide		
Statement of Net Position		<u>\$ 275,528</u>

The principal purposes of these interfunds are the collection of delinquent utility bills on the tax roll and the allocation of comingled cash between funds. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The general fund is advancing funds to the Water Utility. The amount advanced is determined by the cost associated with the water tower painting and the cash flow deficiency from inception of the project. The general fund is charging the Water Utility interest on the advance based on the average outstanding advance balance during the year at a rate of 1%.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Repayment schedule for the advance follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 84,803	\$ 7,027	\$ 91,830
2018	85,651	6,179	91,830
2019	86,508	5,322	91,830
2020	87,373	4,457	91,830
2021	88,247	3,583	91,830
2022 - 2024	<u>270,071</u>	<u>5,418</u>	<u>275,489</u>
	<u>\$ 702,653</u>	<u>\$ 31,986</u>	<u>\$ 734,639</u>

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
General	Water Utility	\$ 427,892	Tax equivalent
General	Sewer Utility	19,810	Tax equivalent
Debt Service	Tax Incremental District #1 Tax Levy	5,626,014	Debt service
Debt Service	Environmental Tax Incremental District Fund #1	135,863	Debt service
Debt Service	Environmental Tax Incremental District Fund #2	101,970	Debt service
Environmental Tax Incremental District Fund #2	Environmental Tax Incremental District Fund #1	<u>139,018</u>	TID revenue
Subtotal - Fund financial statements		6,450,567	
Less: Fund eliminations		<u>(6,002,865)</u>	
Total Transfers - Government-wide Statement of Activities		<u>\$ 447,702</u>	
Governmental Activities	Business-type Activities	\$ 447,702	
Business-type Activities	Governmental Activities	-	
Total		<u>\$ 447,702</u>	

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Generally, transfers are used to 1) move revenues from the fund that collects them to the fund that the budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Debt					
Bonds	\$ 17,322,804	\$ 1,550,000	\$ 6,798,490	\$ 12,074,314	\$ 1,198,425
Refunding bonds	15,010,000	5,080,000	1,385,000	18,705,000	2,535,000
Total General Obligation Debt	32,332,804	6,630,000	8,183,490	30,779,314	3,733,425
Redevelopment Lease Revenue Bonds	15,245,000	3,395,000	6,215,000	12,425,000	2,705,000
Tax Increment Revenue Bonds	594,015	-	13,261	580,754	-
Total Bonds and Notes Payable	48,171,819	10,025,000	14,411,751	43,785,068	6,438,425
Add: Unamortized debt premium	675,143	95,394	77,040	693,497	-
Total Governmental Activities	48,846,962	10,120,394	14,488,791	44,478,565	6,438,425
Bonds and Notes Payable	48,846,962	10,120,394	14,488,791	44,478,565	6,438,425
Other Liabilities					
Vested compensated absences	881,333	328,604	308,330	901,607	312,860
Net OPEB liability	5,560,575	585,934	-	6,146,509	-
Net pension liability (asset)	(1,848,814)	3,053,599	-	1,204,785	-
Total Other Liabilities	4,593,094	3,968,137	308,330	8,252,901	312,860
Total Governmental Activities					
Long-Term Liabilities	\$ 53,440,056	\$ 14,088,531	\$ 14,797,121	\$ 52,731,466	\$ 6,751,285

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Revenue Bonds Payable	\$ 10,855,000	\$ 2,790,000	\$ 4,070,000	\$ 9,575,000	\$ 435,000
General Obligation Bonds Payable	3,077,197	790,000	226,510	3,640,687	386,575
Add: Unamortized debt premium	<u>174,759</u>	<u>77,347</u>	<u>17,231</u>	<u>234,875</u>	<u>-</u>
Total Business-type Activities					
Bonds Payable	<u>14,106,956</u>	<u>3,657,347</u>	<u>4,313,741</u>	<u>13,450,562</u>	<u>821,575</u>
Other Liabilities					
Net OPEB liability	124,079	34,397	28,642	129,834	-
Net pension liability (asset)	<u>(156,721)</u>	<u>258,235</u>	<u>-</u>	<u>101,514</u>	<u>-</u>
Total Other Liabilities	<u>(32,642)</u>	<u>292,632</u>	<u>28,642</u>	<u>231,348</u>	<u>-</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 14,074,314</u>	<u>\$ 3,949,979</u>	<u>\$ 4,342,383</u>	<u>\$ 13,681,910</u>	<u>\$ 821,575</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2016, was \$54,471,010. Total general obligation debt outstanding at year end was \$34,420,002.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
Governmental Activities					
General Obligation Debt					
Refunding Bonds	9/9/2010	11/1/2019	2.0 - 2.25	\$ 4,140,000	\$ 1,455,000
	4/12/2012	4/1/2022	.5 - 3.125	1,825,000	1,230,000
	4/12/2012	6/1/2022	2.0 - 2.5	5,255,000	3,295,000
	5/23/2013	10/1/2029	2.0 - 3.25	3,575,000	2,470,000
	6/2/2015	3/1/2027	2.0 - 2.75	5,195,000	5,175,000
	4/19/2016	4/1/2028	1.0 - 2.07	1,360,000	1,360,000
	9/1/2016	10/1/2030	2.0 - 2.85	3,720,000	3,720,000
					<u>18,705,000</u>
General Obligation Bonds	4/2/2008	4/1/2028	3.0 - 4.0	2,210,000	150,000
	2/1/2010	2/1/2030	1.0 - 5.95	1,555,000	125,000
	10/13/2011	3/1/2031	2.0 - 4.0	10,053,669	7,154,314
	4/15/2014	4/1/2023	2.0 - 2.15	865,000	750,000
	4/15/2014	4/1/2034	2.0 - 4.0	2,380,000	2,345,000
	4/19/2016	4/1/2026	1.7 - 2.0	1,550,000	1,550,000
					<u>12,074,314</u>
Total Governmental Activities					
General Obligation Debt					<u>\$ 30,779,314</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2016</u>
Business-type Activities					
Water, Sewer and Storm Water Systems					
General Obligation Bonds					
Storm Water Utility	10/13/2011	3/1/2031	2.0 - 4.0	\$ 1,106,230	\$ 787,207
Water Utility	10/13/2011	3/1/2031	2.0 - 4.0	228,280	162,447
Sewer Utility	10/13/2011	3/1/2031	2.0 - 4.0	366,821	261,033
Storm Water Utility	5/23/2013	10/1/2029	2.0 - 3.25	1,045,000	840,000
Sewer Utility	5/23/2013	10/1/2029	2.0 - 3.25	1,015,000	800,000
Water Utility	4/19/2016	4/1/2021	1.0 - 2.125	560,000	560,000
Sewer Utility	4/19/2016	4/1/2021	1.0 - 2.125	230,000	230,000
Total Business-type Activities General Obligation Debt					<u>\$ 3,640,687</u>

Debt service requirements to maturity are as follows:

	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,733,425	\$ 755,633	\$ 386,575	\$ 94,353
2018	4,099,017	658,166	415,983	85,665
2019	4,342,438	561,581	432,562	76,337
2020	4,327,307	455,853	447,693	66,336
2021	4,520,860	350,503	464,140	55,693
2022-2026	6,356,391	924,742	918,608	171,064
2027-2031	2,729,876	364,473	575,126	43,992
2032-2034	670,000	40,800	-	-
Totals	<u>\$ 30,779,314</u>	<u>\$ 4,111,751</u>	<u>\$ 3,640,687</u>	<u>\$ 593,440</u>

Revenue Debt

The Community Development Authority (CDA) of the City of Cudahy (City) issued Redevelopment Lease Revenue Bonds pursuant to Sections 66.4325, 66.431 and 66.436 of the Wisconsin Statutes for the purpose of financing project costs associated with the City's Tax Incremental District #1. The bonds are not general obligations of the CDA or the City, and do not constitute an indebtedness within any constitutional or statutory limitation or provision. The bonds are payable solely out of the revenues and income derived by the CDA pursuant to a lease agreement between the City and the CDA.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

In conjunction with the issuance of the bonds, the CDA and City entered into a lease agreement which generally provides for payments by the City to the CDA in amounts sufficient to pay the principal and interest payments on the bonds as they come due. It is the City's intent to annually budget the rental payments under the lease, and finance such payments with tax increments generated by Tax Incremental District #1.

The CDA is part of the primary government for financial reporting purposes. Accordingly, the CDA's debt and assets are reported as part of the City's debt and assets. The City has reported the proceeds of debt issued for construction in its capital projects funds. Debt service activity is reported in the City's Debt Service Fund. Lease arrangements between the City and CDA have been eliminated for reporting purposes.

Revenue debt payable at December 31, 2016 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
Governmental Activities					
Lease Development Revenue Bonds	10/13/2011	6/1/2022	.75 - 3.25	\$ 3,200,000	\$ 2,095,000
	3/14/2012	6/1/2022	.6 - 2.6	3,580,000	2,835,000
	11/1/2012	6/1/2027	1.25 - 4.3	1,430,000	1,240,000
	3/7/2013	6/1/2019	.7 - 1.75	5,265,000	2,860,000
	4/19/2016	6/1/2019	3.0 - 4.35	3,395,000	3,395,000
Total Governmental Activities					
Revenue Debt					<u>\$ 12,425,000</u>
Business-type Activities					
Water and Sewer System					
Revenue Bonds					
Water Utility	4/2/2008	5/1/2018	3.75 - 4.0	\$ 1,120,000	\$ 255,000
Storm Water Utility	4/2/2008	5/1/2028	3.25 - 4.5	4,150,000	360,000
Sewer Utility	5/6/2014	5/1/2034	3.0 - 3.625	4,175,000	4,165,000
Water Utility	5/6/2014	5/1/2034	3.0 - 3.625	260,000	230,000
Storm Water Utility	5/6/2014	5/1/2034	3.0 - 3.50	1,890,000	1,775,000
Storm Water Utility	9/1/2016	5/1/2028	2.0	2,790,000	2,790,000
Total Business-type					
Activities Revenue Debt					<u>\$ 9,575,000</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

Debt service requirements to maturity are as follows:

	Governmental Activities Revenue Debt		Business-type Activities Revenue Debt	
	Principal	Interest	Principal	Interest
2017	\$ 2,705,000	\$ 355,621	\$ 435,000	\$ 278,456
2018	2,780,000	269,896	450,000	253,056
2019	2,815,000	174,035	460,000	239,106
2020	1,025,000	111,146	460,000	227,556
2021	1,015,000	84,673	495,000	215,531
2022-2026	1,890,000	151,121	2,995,000	850,381
2027-2031	195,000	4,193	2,705,000	459,463
2032-2034	-	-	1,575,000	92,735
Totals	<u>\$ 12,425,000</u>	<u>\$ 1,150,685</u>	<u>\$ 9,575,000</u>	<u>\$ 2,616,284</u>

The Water, Sewer and Storm Water Utilities have pledged future revenues, net of specified operating expenses, to repay \$9,575,000 of revenue bonds issued in 2008, 2014 and 2016. Proceeds from the bonds provided financing for the Water, Sewer and Storm Water Utilities. The bonds are payable solely from utility revenues and are payable through 2034. Annual principal and interest payments on the bonds are expected to require 22% of net revenues. Total principal and interest remaining to be paid on the bonds is \$12.2 million. Principal and interest paid for the current year and total customer net revenues were \$860,414 and \$3,239,095 respectively.

Other Debt Information

Estimated payments of compensated absences and the other post employment benefit obligation are not included in the debt service requirement schedules. The compensated absences and the other post employment benefits obligation liabilities attributable to governmental activities will be liquidated primarily by the general fund.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Tax Increment Project Revenue Bonds

The City has authorized the issuance of Tax Incremental Project Revenue Bonds for the purpose of financing certain projects to eliminate blight and encourage development. The principal on the bonds is solely payable from tax increments in Tax Increment District No. 1 after certain developments have met established thresholds of equalized value to the City. In conjunction with the authorization of this debt issue, the City entered into a developer agreement for the sale of the debt issue to local businesses to provide development incentives to assist the developer in undertaking the project. The details related to the debt issue is:

<u>TID No.</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/16</u>
1	08/26/02	11/1/2022	None	\$ 702,576	<u>\$ 580,754</u>

The bonds have no established repayment terms. Any obligation for repayment will expire on the maturity date shown above.

Advance and Current Refundings

On April 19, 2016, the City issued \$2,150,000 of general obligation bonds with an average coupon rate of 1.404% to advance refund \$1,300,000 of outstanding bonds with an average coupon rate of 3.83% and current refund \$870,000 of outstanding bonds with an average coupon rate of 4.03%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance and current refunding was \$2,717,529 from 2016 through 2028. The cash flow requirements on the general obligation refunding bonds are \$2,454,481 from 2016 through 2028. The refundings resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$246,143.

On September 1, 2016, the City issued \$3,720,000 of general obligation bonds with an average coupon rate of 2.282% to advance refund \$1,175,000 of outstanding bonds with an average coupon rate of 5.323% and current refund \$2,450,000 of outstanding bonds with an average coupon rate of 4.536%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Advance and Current Refundings (continued)

The cash flow requirements on the refunded debt prior to the advance and current refunding was \$4,720,224 from 2016 through 2030. The cash flow requirements on the general obligation refunding bonds are \$4,274,117 from 2016 through 2030. The refundings resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$417,223.

On September 1, 2016, the City issued \$2,790,000 of Storm Water Utility revenue bonds with an average coupon rate of 1.57% to advance refund \$2,645,000 of outstanding bonds with an average coupon rate of 4.194%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$6,351,214 from 2016 through 2034. The cash flow requirements on the Storm Water Utility refunding revenue bonds are \$6,033,025 from 2016 through 2034. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$263,546.

On April 19, 2016, the City issued \$3,395,000 of Community Development Authority redevelopment lease revenue refunding bonds with an average coupon rate of 0.938% to refund \$3,625,000 of outstanding bonds with an average coupon rate of 4.25%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$3,883,144 from 2016 through 2019. The cash flow requirements on the Community Development Authority redevelopment lease revenue refunding bonds are \$3,462,422 from 2016 through 2019. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$113,672.

Defeasance of Debt

The City defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2016, \$5,120,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount
4/1/17	\$ 1,300,000
2/1/18	1,175,000
5/1/18	2,645,000

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES

Governmental Activities

Net position reported on the government-wide statement of net position at December 31, 2016 include the following:

Net Investment in Capital Assets	
Land	\$ 14,599,528
Other capital assets, net of accumulated depreciation	37,207,320
Less: long-term debt outstanding	(43,785,068)
Plus: non-capital long-term debt	22,012,017
Plus: unspent capital related debt proceeds	3,880,778
Plus: unamortized debt premium of capital debt	664,712
Less: loss on refunding of capital debt	<u>(597,201)</u>
Total Net Investment in Capital Assets	33,982,086
Restricted for	
Debt service	3,842,547
TID activities	3,989,233
Library endowment	100,000
Library capital improvements	441,709
Library operations	365,720
Unrestricted (deficit)	<u>(12,715,993)</u>
 Total Governmental Activities Net Position	 \$ <u>30,005,302</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 276,560
Advance to other funds (Due after 2017)	617,850
Capital Improvements Fund	
Prepaid items	<u>4,736</u>
Total Major Funds	<u>\$ 899,146</u>
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Library Children's Endowment	\$ 100,000
Library Fund - Prepaid items	236
Recycling Fund	195
Hotel & Motel Tax Fund	<u>1,793</u>
Sub-Total	<u>102,224</u>
Total Nonmajor Funds	<u>\$ 102,224</u>
Restricted	
Major Funds	
Special Revenue Fund - Tax Increment District #1 Tax Levy -	
Project costs	<u>\$ 624,332</u>
Debt Service Fund - Debt service	<u>5,693,797</u>
Capital Projects Fund - Tax Increment District #1 -	
Noncurrent receivables	<u>797,424</u>
Sub-Total	<u>797,424</u>
Total Major Funds	<u>\$ 7,115,553</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Restricted (continued)

Nonmajor Funds

Special Revenue Funds

Library Fund - Library Endowment Fund	\$	441,709
Library Fund - Library activities		365,720
Environmental Tax Incremental District Fund #1 - Project costs		670,021
Environmental Tax Incremental District Fund #2 - Bond funds		363,675

Capital Projects Funds

Community Development Authority Fund - Project costs		<u>745,139</u>
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Total Nonmajor Funds	\$	<u>2,586,264</u>
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Committed

Nonmajor Funds

Special Revenue Funds

Library Fund	\$	79,427
Ambulance Fund		158,807
Health Grant Fund		12,722
Recycling Fund		122,781
Special Collections Fund		125,326
Special Assessment Fund		1,203,474
K-9 Fund		614
Hotel & Motel Tax Fund		5,187
Rental Property Inspection Fund		<u>141,804</u>

Total Nonmajor Funds	\$	<u>1,850,142</u>
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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. *NET POSITION/FUND BALANCES* (continued)

Governmental Activities (continued)

Assigned

Major Funds

General Fund

Equipment acquisition - Computer equipment and software	\$	163,656
Voting machines		12,000
Federal asset forfeiture		1,615
State Asset forfeiture		94,534
Safety grant		280
Police department		31,515
Election training		10,000
Sub-Total		<u>313,600</u>

Capital Improvements Fund - subsequent years expenditures		<u>4,030,096</u>
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Total Major Funds	\$	<u>4,343,696</u>
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Nonmajor Funds

Capital Projects Funds

Road & Equipment Improvements Fund	\$	<u>131,378</u>
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Unassigned

Major Funds

General Fund

Capital Projects Fund - Tax Increment District #1		<u>(402,147)</u>
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Total Major Funds	\$	<u>3,270,424</u>
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Nonmajor Funds

Special Revenue Funds

Grant Fund

Environmental TIF #2	\$	<u>(596,482)</u>
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Total Nonmajor Funds	\$	<u>(608,718)</u>
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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Business-Type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2016 includes the following:

Net Investment in Capital Assets	
Land	\$ 220,342
Other capital assets, net of accumulated depreciation	33,215,773
Less: related long-term debt outstanding	(13,222,080)
Add: Unspent proceeds of long-term debt	<u>5,130,997</u>
Total Net Investment in Capital Assets	<u>25,345,032</u>
Restricted	
Equipment replacement	1,087,888
Debt service	<u>296,862</u>
Total Restricted	<u>1,384,750</u>
Unrestricted	<u>3,748,363</u>
Total Business-Type Activities Net Position	<u>\$ 30,478,145</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Post-Retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$757,175 in contributions from the City.

Contribution rates as of December 31, 2016 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$1,306,299 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.08038862%, which was a decrease of 0.001260870% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$1,568,637.

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,989	\$ 2,749,085
Changes in assumption	913,944	-
Net differences between project and actual earnings on pension plan	5,348,364	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	76,135	-
Employer contributions subsequent to the measurement date	762,701	-
Total	<u>\$ 7,322,133</u>	<u>\$ 2,749,085</u>

\$762,701 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$1,704,527	\$665,284
2018	1,704,527	665,284
2019	1,704,527	665,284
2020	1,415,848	665,284
2021	30,003	87,949
Thereafter	-	-

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry Age
Asset valuation method	Fair Market Value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Variable Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Assets Allocations are managed within established ranges, target percentages may differ from actual monthly allocation

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City proportionate share of the net pension liability (asset)	\$ 9,162,409	\$ 1,306,299	\$ (4,829,463)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2016, the City reported a payable to the pension plan of \$108,183, which represents contractually required contributions outstanding as of the end of the year.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; environmental damage; and health care of its employees. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for all other risks. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Self Insurance

In 1992, the City issued \$702,926 taxable General Obligation Refunding Bonds to provide financing of the City's participation in the Wisconsin Municipal Insurance Commission ("WMIC"). The WMIC is an intergovernmental cooperative commission formed to facilitate the formation of the Cities and Villages Mutual Insurance Company ("CVMIC"). The CVMIC is a separate and distinct entity independent of the WMIC and is owned by the participating cities and villages of the WMIC. The CVMIC was formed to provide liability insurance to Wisconsin municipalities as of January 1, 1988.

In prior years, the CVMIC paid dividends to the City based on a schedule designed to enable the City to partially or totally finance the City's debt service requirements on its related debt. As of December 31, 2007, the City's debt and the WMIC's debt were paid in full. The WMIC has no assets, liabilities, equity or financial activity for the year ended December 31, 2016.

The CVMIC provides the City with \$5 million of liability coverage for losses over its self-insurance retention level of \$100,000 per occurrence with a \$400,000 aggregate stop loss. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

The City's annual cost is its annual premium, claims and other operating expenses. An annual premium is charged to cover expected claims and administrative costs. The claims component of the premium is determined by independent actuaries and allocated among participating municipalities based on payroll and loss history. The City and other participating cities and villages are subject to cover loss experiences, which exceed predictions through retrospective assessments.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The municipality does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Percentage participation can be affected by acceptance of new members to WMIC and CVMIC. The City's percentage participation in WMIC and CVMIC at December 31, 2016 was 1.67%. Upon withdrawal, expulsion or dissolution, the City would be entitled to a lump sum payment which at December 31, 2016 would approximate \$500,000.

Complete financial statements for CVMIC can be obtained directly from CVMIC's offices.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Self Insurance (continued)

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

		Beginning	Claims and			Ending
		Balance	Changes in	Payments		Balance
			Estimates			
2015	\$	149,454	\$ 3,395	\$ (3,395)	\$	149,454
2016	\$	149,454	\$ 13,418	\$ (13,419)	\$	149,453

At December 31, 2016, the Liability Insurance Fund has net position of \$1.14 million.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City has active construction projects as of December 31, 2016. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance contributions for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes between 95% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses depending on union classification and hiring dates.

For fiscal year 2016, the City contributed \$794,682 to the plan.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table below shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual Required Contribution	\$ 1,497,410
Interest on net OPEB obligation	170,540
Adjustment to annual required contribution	<u>(281,579)</u>
Annual OPEB cost (expense)	1,386,371
Contributions made	<u>(794,682)</u>
Increase in net OPEB Liability	591,689
Net OPEB Liability - beginning of year	<u>5,684,654</u>
Net OPEB Liability - end of year	<u>\$ 6,276,343</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
12/31/2014	\$ 1,437,074	46%	\$ 4,944,743
12/31/2015	1,465,549	50%	5,684,654
12/31/2016	1,386,371	57%	6,276,343

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

As of December 31, 2016, the most recent actuarial valuation date, the plan was 0.6% funded. The actuarial accrued liability for benefits was \$16.66 million, and the actuarial value of assets was \$97,191, resulting in an unfunded actuarial accrued liability (UAAL) of \$16.57 million.

The projection of future benefit payments for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

1. Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.
2. Mortality – Life expectancies were based on mortality tables from WRS. Separate rates for males and females, as appropriate.
3. Health insurance premiums – December 31, 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
4. Turnover – Non-group-specific age-based turnover data from GASB Statement No. 45 were used as a basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
5. Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on recent experience, the experience of medical insurers, future trend expectations, and judgment. A rate of 9.40% initially, reduced to an ultimate rate of 4.00% after 54 years, was used.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

Based on the historical and expected returns of the utility's short-term investment portfolio, a discount rate of 3% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2016, was 30 years.

E. MAJOR CUSTOMERS

The Water Utility derived approximately 24% of its user charge revenue from two major customers. The Sewer Utility derived approximately 40% of its user charge revenue from two major customers. The Storm Water Utility derived approximately 8% of its user charge revenue from two major customers.

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
- > Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- > Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- > Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14
- > Statement No. 81, Irrevocable Split-Interest Agreements
- > Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73

When they become effective, application of these standards may restate portions of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CUDAHY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP) - GENERAL FUND For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 6,112,734	\$ 6,112,734	\$ 6,164,001	\$ 51,267
Intergovernmental	4,799,634	4,799,634	4,766,102	(33,532)
Licenses and permits	510,169	510,169	540,756	30,587
Fines, forfeitures and penalties	824,800	824,800	957,706	132,906
Public charges for services	96,025	96,025	149,722	53,697
Interdepartmental revenues	146,896	146,896	111,091	(35,805)
Investment income	36,000	36,000	67,556	31,556
Commercial revenues	65,600	65,600	98,736	33,136
Total Revenues	<u>12,591,858</u>	<u>12,591,858</u>	<u>12,855,670</u>	<u>263,812</u>
EXPENDITURES				
Current				
General government	2,745,939	2,745,939	2,843,961	(98,022)
Protection of persons and property	7,142,566	7,142,566	7,377,549	(234,983)
Public works	1,810,796	1,810,796	1,521,614	289,182
Health and sanitation	955,133	955,133	937,325	17,808
Parks and recreation	335,524	335,524	238,415	97,109
Capital Outlay	23,400	23,400	7,581	15,819
Total Expenditures	<u>13,013,358</u>	<u>13,013,358</u>	<u>12,926,445</u>	<u>86,913</u>
Excess (Deficiency) of Revenues over Expenditures	(421,500)	(421,500)	(70,775)	350,725
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>421,500</u>	<u>421,500</u>	<u>447,702</u>	<u>26,202</u>
Net change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	376,927	<u>\$ 376,927</u>
Adjustments to generally accepted accounting principles basis				
Revenues credited to designated funds			145,897	
Interdepartmental revenues that represent interfund charges			(77,872)	
Interfund charges for engineering reported as expenditures			77,872	
Other			<u>(64,842)</u>	
Net change in fund balance - generally accepted accounting principles basis			457,982	
FUND BALANCE - Beginning of Year			<u>4,422,599</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,880,581</u>	

CITY OF CUDAHY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

As of December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Postemployment Health Care Plan</u>						
12/31/10	\$ -	\$ 12,498,996	\$ 12,498,996	0%	\$ 8,696,391	144%
12/31/13	9,920	14,846,612	14,836,692	0.1%	8,100,570	183%
12/31/16	97,191	16,662,409	16,565,218	0.6%	8,548,445	194%

CITY OF CUDAHY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.08164949%	\$ (2,005,535)	\$ 8,367,637	-23.97%	102.74%
12/31/16	0.08038862%	1,306,299	8,349,793	15.64%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 757,176	\$ 757,176	\$ -	\$ 8,349,793	9.07%
12/31/16	762,701	762,701	-	8,548,445	8.92%

CITY OF CUDAHY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2016

NOTE 1 – BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. except actual (non-GAAP) revenues and expenditures do not reflect certain transactions of designated funds or intra-fund charges.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments or from contingency. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. Budgetary control is exercised at the individual fund level for all funds.

NOTE 2 – FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

NOTE 3 – WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

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SUPPLEMENTARY INFORMATION

CITY OF CUDAHY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016**

	Special Revenue Funds							Environmental Tax Incremental District Fund #1
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund	
ASSETS								
Cash and investments	\$ 474,914	\$ 119,826	\$ -	\$ 4,383	\$ 158,098	\$ 122,156	\$ 1,216,385	\$ 570,021
Accounts receivable (net of allowance for uncollectibles of \$34,427)	11,254	46,021	10,377	17,754	2,538	3,170	-	-
Taxes receivable	685,980	-	-	-	413,886	222,390	220,947	210,009
Special assessments receivable - due in more than one year	-	-	-	-	-	-	359,155	-
Advance to other funds	-	-	-	-	-	-	-	100,000
Restricted cash and investments	541,709	-	-	-	-	-	-	-
Prepaid items	236	-	-	-	195	-	-	-
Total Assets	\$ 1,714,093	\$ 165,847	\$ 10,377	\$ 22,137	\$ 574,717	\$ 347,716	\$ 1,796,487	\$ 880,030
LIABILITIES								
Accounts payable	34,373	1,074	-	3,681	35,837	-	-	-
Accrued liabilities	6,648	5,966	-	-	2,018	-	12,642	-
Due to other funds	-	-	22,613	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-
Total Liabilities	41,021	7,040	22,613	3,681	37,855	-	12,642	-
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues	685,980	-	-	5,734	413,886	222,390	270	210,009
Unavailable revenues	-	-	-	-	-	-	580,101	-
Total Deferred Inflows of Resources	685,980	-	-	5,734	413,886	222,390	580,371	210,009
FUND BALANCES								
Nonspendable	100,236	-	-	-	195	-	-	-
Restricted	807,429	-	-	-	-	-	-	670,021
Committed	79,427	158,807	-	12,722	122,781	125,326	1,203,474	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(12,236)	-	-	-	-	-
Total Fund Balance (Deficit)	987,092	158,807	(12,236)	12,722	122,976	125,326	1,203,474	670,021
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,714,093	\$ 165,847	\$ 10,377	\$ 22,137	\$ 574,717	\$ 347,716	\$ 1,796,487	\$ 880,030

CITY OF CUDAHY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016**

	Special Revenue Funds				Capital Projects Funds			Total
	Environmental Tax Incremental District Fund #2	K-9 Fund	Hotel & Motel Tax Fund	Rental Property Inspection Fund	Community Development Authority Fund	Road & Equipment Improvements Fund	Nonmajor Governmental Funds	
ASSETS								
Cash and investments	\$ -	\$ 1,364	\$ 4,921	\$ 117,722	\$ 740,691	\$ 132,568	\$ 3,663,049	
Accounts receivable (net of allowance for uncollectibles of \$34,427)	-	-	1,947	25,625	4,448	55	123,189	
Taxes receivable	31,461	-	-	-	-	450,000	2,234,673	
Special assessments receivable - due in more than one year	-	-	-	-	-	-	359,155	
Advance to other funds	-	-	-	-	-	-	100,000	
Restricted cash and investments	363,675	-	-	-	-	-	905,384	
Prepaid items	-	-	1,793	-	-	-	2,224	
Total Assets	\$ 395,136	\$ 1,364	\$ 8,661	\$ 143,347	\$ 745,139	\$ 582,623	\$ 7,387,674	
LIABILITIES								
Accounts payable	55,484	750	1,681	-	-	1,245	134,125	
Accrued liabilities	-	-	-	1,543	-	-	28,817	
Due to other funds	440,998	-	-	-	-	-	463,611	
Advance from other funds	100,000	-	-	-	-	-	100,000	
Total Liabilities	596,482	750	1,681	1,543	-	1,245	726,553	
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues	31,461	-	-	-	-	450,000	2,019,730	
Unavailable revenues	-	-	-	-	-	-	580,101	
Total Deferred Inflows of Resources	31,461	-	-	-	-	450,000	2,599,831	
FUND BALANCES								
Nonspendable	-	-	1,793	-	-	-	102,224	
Restricted	363,675	-	-	-	745,139	-	2,586,264	
Committed	-	614	5,187	141,804	-	-	1,850,142	
Assigned	-	-	-	-	-	131,378	131,378	
Unassigned	(596,482)	-	-	-	-	-	(608,718)	
Total Fund Balance (Deficit)	(232,807)	614	6,980	141,804	745,139	131,378	4,061,290	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 395,136	\$ 1,364	\$ 8,661	\$ 143,347	\$ 745,139	\$ 582,623	\$ 7,387,674	

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Special Revenue Funds								Environmental Tax Incremental District Fund #1
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund		
REVENUES									
Taxes	\$ 647,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,163
Other taxes	-	-	-	-	-	-	-	-	-
Intergovernmental	149,246	29,417	69,278	80,713	63,477	-	-	-	-
Fines, forfeitures and penalties	27,872	-	-	-	-	-	-	-	-
Public charges for services	36,164	303,414	-	-	423,933	248,260	-	-	-
Public improvement revenue	-	-	-	-	-	-	515,565	-	-
Investment income	2,188	259	-	-	4,066	2,013	17,218	-	1,416
Commercial revenues	368,346	887	-	-	2,129	1,237	-	-	-
Total Revenues	1,231,376	333,977	69,278	80,713	493,605	251,510	532,783	-	276,579
EXPENDITURES									
Current									
Protection of persons and property	-	336,756	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	39,094	-	-
Health and sanitation	-	-	-	83,014	705,479	337,622	-	-	-
Library	693,563	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	8,108
Capital Outlay	405,995	7,341	69,278	-	-	-	570,634	-	-
Total Expenditures	1,099,558	344,097	69,278	83,014	705,479	337,622	609,728	-	8,108
Excess (deficiency) of revenues over expenditures	131,818	(10,120)	-	(2,301)	(211,874)	(86,112)	(76,945)	-	268,471
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(274,881)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	(274,881)
Net change in fund balances	131,818	(10,120)	-	(2,301)	(211,874)	(86,112)	(76,945)	-	(6,410)
FUND BALANCES (DEFICIT) - Beginning of Year	855,274	168,927	(12,236)	15,023	334,850	211,438	1,280,419	-	676,431
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 987,092	\$ 158,807	\$ (12,236)	\$ 12,722	\$ 122,976	\$ 125,326	\$ 1,203,474	\$	670,021

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Environmental Tax Incremental District Fund #2	K-9 Fund	Hotel & Motel Tax Fund	Rental Property Inspection Fund	Community Development Authority Fund	Road & Equipment Improvements Fund	
REVENUES							
Taxes	\$ 20,891	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,343,614
Other taxes	-	-	9,477	-	-	-	9,477
Intergovernmental	-	-	-	-	-	10,339	402,470
Fines, forfeitures and penalties	-	-	-	-	-	-	27,872
Public charges for services	-	-	-	134,087	-	-	1,145,858
Public improvement revenue	-	-	-	-	-	-	515,565
Investment income	22	7	-	-	1,589	1,153	29,931
Commercial revenues	-	4,277	-	-	-	-	376,876
Total Revenues	20,913	4,284	9,477	134,087	1,589	411,492	3,851,663
EXPENDITURES							
Current							
Protection of persons and property	-	5,206	-	117,550	-	-	459,512
Public works	-	-	-	-	-	-	39,094
Health and sanitation	-	-	-	-	-	-	1,126,115
Library	-	-	-	-	-	-	693,563
Conservation and development	264,743	-	21,123	-	-	-	293,974
Capital Outlay	-	-	-	-	-	608,978	1,662,226
Total Expenditures	264,743	5,206	21,123	117,550	-	608,978	4,274,484
Excess (deficiency) of revenues over expenditures	(243,830)	(922)	(11,646)	16,537	1,589	(197,486)	(422,821)
OTHER FINANCING SOURCES (USES)							
Transfers in	139,018	-	-	-	-	-	139,018
Transfers out	(101,970)	-	-	-	-	-	(376,851)
Total Other Financing Sources (Uses)	37,048	-	-	-	-	-	(237,833)
Net change in fund balances	(206,782)	(922)	(11,646)	16,537	1,589	(197,486)	(660,654)
FUND BALANCES (DEFICIT) - Beginning of Year	(26,025)	1,536	18,626	125,267	743,550	328,864	4,721,944
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (232,807)	\$ 614	\$ 6,980	\$ 141,804	\$ 745,139	\$ 131,378	\$ 4,061,290